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FINANCIAL TIMES

This week's Best of Lex

24 January 2014

Exclusively for Premium Subscribers

Letter from Lex: Rastaman vibration negative

The cold, black, embittered hearts of those who never bought in the furious market rally grew just a bit warmer this week. They might – just might – get a chance to release the bellow of "I told you so" they have been holding in since at least 2011.

The reasons for the pessimists' optimism came from the emerging world. The Argentine government stepped back from supporting its currency Thursday, the peso promptly tanked, and that – along with bad output and manufacturing data from China – was enough to spread nausea across the acronymmed world on Friday. Currencies in Russia, South Africa and Turkey (henceforth to be known, with Argentina, as the Rastas – with apologies to the Jamaican Dollar, which hasn't been doing so hot itself) shuddered. Is this the start of the correction we've been waiting for?

Lex has no idea. But we do share the amorphous feeling of being at an inflection point, as equity markets look peaky and bond yields look bottomy. To wit:

- What do you do when you think markets are about as good as they are going to get? You sell something. IBM sold is now unprofitable low-end server business to Lenovo. India is hoping to sell its stakes in Axis Bank and Hindustan Zinc. Celesio seems to have finally gotten itself sold to McKesson. KKR decided the time was right to sell Oriental Breweries back to AB InBev.

- Deutsche Bank can’t wait for the interest rate environment to change. Another cadaverous quarter in its fixed-income trading business led to a whopping quarterly loss. But it remains an open and very interesting question whether the struggles of banks bond operations is cyclical (“when central banks stop suppressing rates and volatility we’ll be back”) or secular (“the 30-odd year bond rally is over”).

- The troubles in the bond market were given a potent symbol when Mohamed El-Erian left Pimco, arguably the most important fixed income investment shop in the world. But investors in Allianz, Pimco’s owner, shrugged – despite a quarter of the Insurer’s operating profits coming from Pimco. There will always be a job for you at Lex, Mo!

Lex fearlessly predicts that next week will be an interesting one. Get some rest this weekend.

Email the Lex team in confidence at lex@ft.com.

Best of Lex articles

IBM: half done

The group's previous divestitures look so smart now because they were followed up by clever bets on the next big thing.

Indian privatisation: flipping Axis

India's government needs to go on paying the bills – and attract foreign money – but sell-off processes can be protracted or abortive.

AB InBev: beer pong

Why sell a Korean brewer then buy it back at three times the price almost five years later? It's a fizzy tale..

Unilever: food fight

Relief on emerging markets front, but bigger questions loom for consumer goods group, as food and drink operations lag behind other parts of business.

Deutsche Bank: first mover disadvantage

Cost cuts are only keeping pace with revenue declines at the German bank as it waits for the blessed season of revenue growth to come.

Pimco / Allianz: El-Erian departs

The group should have been more forthright about the departure of Mohamed El-Erian given they have done much to promote him.

Netflix: calling the tune

The future of the US subscription movie site could look a lot like Pandora's present.

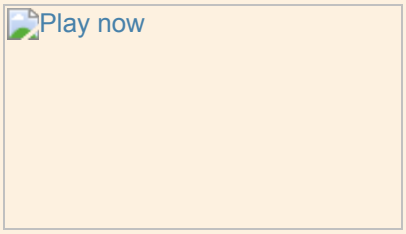
Ebay / PayPal: payment denied

Icahn's proposal for a spin-off smacks of opportunism, and shareholders should give the auction site's bosses the benefit of the doubt.

Video of the week

Flipping Axis

The Indian government is selling assets to reduce its fiscal deficit, including a stake in Axis Bank, a private lender. Lex's Robert Armstrong and Joseph Cotterill debate whether investors should pay attention.



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